

SPECIAL CITY COUNCIL MEETING

NOVEMBER 8, 1985

PRESENT

Grant S. Nielson	Mayor
Craig Greathouse	Council Member
Don Dafoe	Council Member
Ruth Hansen	Council Member
Gayle Bunker	Council Member

ABSENT

Neil Dutson	Council Member
Warren Peterson	City Attorney

OTHERS PRESENT

Jim Allan	City Manager
Dorothy Jeffery	City Recorder
John Nickle	Nickle Insurance
Ron Smith	Nickle Insurance

Mayor Grant Nielson called the meeting to order at 10:00 a.m. Dorothy Jeffery, Delta City Recorder, acted as secretary. Mayor Nielson stated that notice of the meeting time, place and agenda were posted at the principal office of the governing body located at 76 North 200 West and was provided to the Millard County Chronicle Progress, the local radio station, KNAK, and to each member of the City Council by personal delivery 24 hours prior to the meeting.

DISCUSSION OF DELTA CITY INSURANCE

Mayor Nielson said that there have been substantial increases in the insurance rates for Delta City. Mayor Nielson referred to the following letter to Delta City from Nickle Insurance Agency:

Mayor Grant Nielson
Jim Allan, City Administrator
Warren Peterson, City Attorney
Delta City Council Members
P.O. Box 397
Delta, Utah 84624

Dear Sirs:

As requested by Mayor Nielson, I am in hopes that this letter will give a general explanation as to why there has been such a dramatic change in the insurance provided for Delta City.

When the original bids were turned in to Delta City in late February and early March, the City requested an anniversary date of July 1. Some of policies that we bid were able to be written on a 15 month policy, expiring 7/1/86. Other policies, for reinsurance reasons, were only able to be rewritten on a short-term, 3 month policy, expiring 7/1/85, and then an annual premium going from 7/1/85 to 7/1/86. At the time of the bids, we anticipated no change in the carriers that we were using to provide your insurance. Unbeknownst to anyone, during the month of May, Guarantee National announced that it was closing the Salt Lake branch. Several of your coverages, specifically the general liability, umbrella liability (\$5,000,000), the public officials errors and omissions and the police professional, were written with Guarantee National. Within a few days after they closed their Salt Lake branch, they announced that they were withdrawing completely from commercial insurance nationwide. Obviously, that put many insureds in a precarious position, and Delta City was no exception. Immediately we began to seek other carriers. We found Northwestern National Insurance Company, who would provide the general liability for Delta City. Since they were a preferred carrier, their premium would have been considerably less than excess and surplus lines, where this liability is usually written. The one stipulation that they had was that the commercial auto also had to be written with them in order to provide the liability. That forced us to move the commercial auto to them, which did create more premium. The general liability premium was a little more, and then we had to secure the public officials errors and omissions and the police professional through separate companies, and we had to redo the umbrella liability for Delta City, all of which generated different premiums to the City. These policies were all requested with a July 1 effective date. Applications were sent to the companies. Mayor Nielson had signed a letter at the time the policies were requested stating that there had been no known losses to Delta City. All of the new policies that we requested came back with an effective date of July 1, 1985, excepting the public officials errors and omissions and the police professional liability, both of which came back with a September 21 effective date. The reason for this was that the reinsurance treaties that these companies operate under would not permit them to back date the application date. The delay in policy effective date was simply the amount of days the company was behind.

Because of these changes, it created a new annual premium for the insurance coverages of Delta City. That new annual premium would be \$43,745, plus one small bond that we have yet to receive, which should be approximately \$175. Of this premium, all but \$3,174 covers liabilities and automobiles. The \$3,173 would be the cost of the property, buildings and contents, and floater coverages. If you will note, the attached paper shows a balance due of \$12,647; however, that does include an auto endorsement for \$680, leaving the additional premium cost to the City because of these increases at \$11,967. The City should be aware that if they take the current annual premium of \$43,745 minus the previous bid of \$29,319, it leaves a difference of \$14,426. This amount minus the current amount due because of those changes of \$11,967, leaves a difference of \$2,459. This \$2,459 savings was what we actually were able to get some policies issued for during the interim of 3/4/85 to 7/1/85. We simply passed that savings directly on to the City. Also, on 7/1/86 there will be a returned premium of \$2,002 to the City from the public officials errors and omissions and the police professional liability.

In view of the large losses that insurance companies have suffered over the past several years, all commercial premiums are skyrocketing and many insureds who purchased insurance through preferred insurance companies are going to substandard and surplus lines companies. Many coverages are even becoming impossible to secure for any insured, regardless of premium. One class of business that is becoming more and more difficult to insure is municipalities. Therefore, getting the coverages placed and in force is somewhat of a task in itself. We feel very confident that these premiums could be as much as 25% higher if we had to redo the City's insurance at this time instead of 7/1/85, when they were redone.

We hope these figures and this information will not be overly confusing.

Thank you,

John L. Nickle, Owner
Nickle Insurance Agency

Mayor Nielson asked John Nickle, Owner of Nickle Insurance Agency, to give the Council Members an overview of what has taken place with Delta City's Insurance.

John Nickle said that from March 4, 1985, to July 1, 1986, the bid price for insurance was \$38,877, and this amount has been paid in full.

Mr. Nickle said that at the time Nickle Insurance bid Delta City's insurance, they put their bids into Guarantee National Company, who had formerly written part of the coverage for Delta City. The premiums were bid and the policies were put in force, then Guarantee National chose to close its Salt Lake City branch and move everything to Denver. Within the week after they moved, they announced that they were going to completely withdraw from commercial insurance. Mr. Nickle said that his office then began to investigate and found that Northwestern National, a preferred company, would pick up the general liability premium for Delta City. Mr. Nickle said that the reason that they didn't originally go to Northwestern National, is because their cost was higher than Guarantee National. After going with Northwestern National and after they were bound on the account, Roger Young, their head underwriter, came back and said that in order to take the high risk in a general liability for Delta City, Northwestern National also required the City's automobile policy coverages. Mr. Nickle said that after further discussion, even though the auto premium would be increased, he felt there would be less overall costs to put the automobiles with Northwestern National. Mr. Nickle said that the automobiles and general liability were transferred to Northwestern National excluding public officials errors and omissions, and the police professional liability. He also said that at that time, there were two markets he could go to and he went to the one that was the least in premium cost.

Mr. Nickle said that because of Guarantee National's withdrawal from the insurance market, Delta City was left without an umbrella policy so we had to go to Avena, then at the time the general liability was changed, Avena saw who was going to be writing the autos and general liability, and they required high underlying limits. Mr. Nickle said that this whole procedure has basically been a chain reaction. He also said that Delta City's insurance is currently in force; however, Delta City was not covered by public official errors and omissions and police professional insurance from July 1 to September 21, 1985.

City Manager Jim Allan restated that there was a cancellation in July and asked Mr. Nickle when he knew about the cancellation. Mr. Nickle said he learned of the cancellation during the second or third week in June.

Council Member Don Dafoe said that he feels that if Delta City wants to continue their insurance, then the additional premium is going to have to be paid.

Mr. Allan said that the increase in the bid with the adjustments and with the airport coverage added totals \$12,647. Mr. Nickle said that Delta City should now pay the \$12,648, plus \$508 for a blanket employee fidelity bond, and there are numerous automobile endorsements that have been requested that are not back from the insurance company.

Council Member Don Dafoe asked Jim Allan how much has been budgeted for insurance. Mr. Allan said that \$28,000 to \$30,000 was budgeted for

insurance for a fiscal year. Mr. Nickle said that the original bid from Nickle Insurance was \$38,000, excluding the airport insurance and Delta City has paid to the agency \$38,877, plus the airport liability. At the present time, Delta City's insurance policies would cost \$43,745, plus \$508 per year on the blanket bond. Mr. Allan said that Delta City is at least \$16,000 over budget on insurance.

Jim Allan said that he has done some research on the Municipal Insurance Pool and compared prices including the umbrella and the general liability, errors and omissions, civil rights. He said that the comparison between the current billing versus the Municipal Insurance Pool is Nickle Insurance cost is \$25,617 and the Insurance Pool would charge approximately \$22,588. There would be a savings of approximately \$3,029 in the Insurance Pool for those items.

Mr. Allan said that the Municipal Insurance Pool headed by Orem City has 1.2 million dollars in assets and with Sandy City joining, that would raise their assets up to 1.8 million with the liability limit being 1 million dollars. Mr. Allan said that cities now in the trust are Orem, Sandy, West Valley, Ogden, Spanish Fork, South Jordan, Draper, Riverdale, Lyndon, and a few others.

Mr. Allan said that one problem that he can see with this pool is that it is \$5,000 deductible and they do not have reinsurance contracts. He said that the pool is seeking reinsurance in order to cover the higher limit issues.

Council Member Don Dafoe said that it would be to Delta City's advantage to stay with Nickle Insurance and then look at the Municipal Pool next July to see if that would be best for Delta City.

Mr. Nickle said that his office has been doing all that they could for Delta City.

Council Member Don Dafoe said that he feels that Delta City should stay with the policies in force right now. On July 1, 1986, when it is time for renewal, investigate the Municipal Insurance Pool and compare the premiums with the pool versus premiums from private companies.

Council Member Don Dafoe MOVED that Delta City pay the premium of \$12,647 plus the \$508 additional premiums. Council Member Ruth Hansen SECONDED the motion. Mayor Nielson asked if there were any further comments or questions regarding the motion. There being none, he called for a vote. The motion passed unanimously.

DOROTHY JEFFERY: CANVASSING OF 1985 ELECTIONS

Mayor Nielson asked Delta City Recorder, Dorothy Jeffery, to review with the Council the unofficial results and canvass of the 1985 Delta City Municipal Elections.

Dorothy Jeffery, Delta City Recorder, reported the following results in canvassing the 1985 Municipal Elections:

<u>MAYOR</u>	<u>4 YEAR TERM</u>		<u>VOTE FOR ONE (1)</u>
	District 18	District 17	Total
Craig Greathouse	75	51	126
Ruth Hansen	169	158	327
Jack Nelson	136	114	250

<u>COUNCILMEMBER</u>	<u>4 YEAR TERM</u>		<u>VOTE FOR TWO (2)</u>
Dave Church	229	220	449
Don Dafoe	240	181	421
Wydell Jeffery	121	121	242
Kirt Overson	44	50	94

<u>COUNCILMEMBER</u>	<u>2 YEAR TERM</u>		<u>VOTE FOR ONE (1)</u>
Gayle Bunker	252	158	410
Ed Mills	63	61	124
Jean Smith	53	90	143

Following a brief discussion of the elections, Council Member Don Dafoe MOVED to accept the results of the 1985 Municipal Election of November 5, 1985, as presented by Dorothy Jeffery and to authorize payment for the election judges of \$50 per judge. Council Member Craig Greathouse SECONDED the motion. Mayor Nielson asked if there were any further questions or comments regarding the motion. There being none, he called for a vote. The motion passed unanimously.

CRAIG GREATHOUSE: APPOINTMENT OF MEMBER TO PLANNING AND ZONING COMMISSION

Mayor Nielson asked Council Member Craig Greathouse for his recommendation for members on the Planning and Zoning Commission.

Council Member Greathouse said that one more Planning and Zoning member is moving from the area and has requested to be released, leaving two positions to be filled on the Planning and Zoning Board.

Council Member Craig Greathouse MOVED to appoint Robert Droubay and Larry Taylor as members to the Planning and Zoning Board replacing Kim Christensen and Jim Thomas. Council Member Don Dafoe SECONDED the motion. Mayor Nielson asked if there were any further comments or questions regarding the motion. There being none, he called for a vote. The motion passed unanimously.

OTHER BUSINESS

Council Member Don Dafoe recommended that a computer terminal be purchased for City Treasurer, Doyle Bender, for access to the water and sewer billings and to the general ledger. Mr. Dafoe said that the cost for the terminal

and the expansion board would be approximately \$3,100. The Council Members agreed with Mr. Dafoe and this item will be placed on the next agenda so appropriate action can be taken in ordering the terminal.

There was some discussion regarding street improvements. There are several holes that need to be filled and repaired.

City Manager Jim Allan said that he and Mayor Nielson had met with the Community Impact Board (C.I.B.) on Thursday, November 7, for reconsideration of Delta City's application for possible funding to cover open drain ditches in Delta City. The CIB placed Delta City on the pending list, and Mr. Allan said that as long as the City Engineer is there to back up Delta City, he is quite sure the CIB will grant the loan.

Mayor Nielson asked if there were any further questions or comments or items to be discussed. There being none, Council Member Don Dafoe MOVED to adjourn the meeting. Council Member Craig Greathouse SECONDED the motion. The meeting adjourned at 11:30 a.m.


GRANT S. NIELSON, Mayor

Attest: 
DOROTHY JEFFERY
Delta City Recorder

MINUTES APPROVED: November 25, 1985